

**CLINTONDALE COMMUNITY SCHOOLS**  
**Clinton Township, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2008**

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

November 24, 2008

Board of Education  
Clintondale Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clintondale Community Schools (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clintondale Community Schools, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on Pages 3-10 and Budgetary Comparison Schedule for the General Fund on Page 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clintondale Community Schools' basic financial statements. The combining fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Troy, Michigan

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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As management of Clintondale Community Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

### Financial Highlights

- The District's net assets decreased by \$932,427 resulting in a net deficit of \$53,709,837 at the end of the fiscal year.
- As of the end of the current fiscal year, the District's governmental funds reported a net ending fund deficit of \$3,910,756, a decrease of \$2,174,095 from the prior year.
- The Headlee millage reduction of 1.24 mills cost the District \$168,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, community service,

# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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food service, athletics and childcare. The District has no business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found as indicated in the table of contents of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government -wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service and capital projects funds, each of which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general fund herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found as indicated in the table of contents of this report.



# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found as indicated in the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as indicated in the table of contents of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found in the Supplementary Information section of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$53,709,837 at the close of the most recent fiscal year resulting in a net deficit.

A portion of the District's net deficit, \$49,343,467 or (92%), reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not used to liquidate these liabilities.

# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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The government's net assets decreased by \$932,427 during the current fiscal year.

### District's Net Assets

	Activities	
	2007-08	2006-07
Current and other assets	\$ 9,727,168	\$ 9,157,277
Noncurrent assets, net	24,246,777	24,680,371
Total assets	33,973,945	33,837,648
Current liabilities	20,419,861	17,099,922
Noncurrent liabilities, net	67,263,921	69,515,136
Total liabilities	87,683,782	86,615,058
Net assets (deficit):		
Invested in capital assets, net of related debt	(49,343,467)	(49,028,029)
Restricted	779,338	1,458,585
Unrestricted	(5,145,708)	(5,207,966)
Total net assets (deficit)	\$ (53,709,837)	\$ (52,777,410)

# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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### District's Changes in Net Assets

	Governmental Activities	
	2007 - 2008	2006 - 2007
Revenue:		
Program revenue:		
Charges for services	\$712,036	\$780,397
Operating grants and contributions	5,443,846	6,376,308
General revenue:		
Property taxes	6,986,553	7,360,594
State school aid	22,408,238	21,600,632
Other	1,152,854	757,683
Total revenue	36,703,528	36,875,614
Expenses:		
Instruction	20,696,577	19,883,332
Support services	10,930,044	10,609,004
Community service	46,076	43,994
Food service	914,281	816,218
Athletics	447,663	462,141
Child care	399,170	383,891
Interest on long-term debt	2,922,989	3,200,973
Depreciation (unallocated)	1,279,155	1,254,215
Total expenses	37,635,955	36,653,768
Increase (decrease) in net assets	(932,427)	221,846
Net assets, beginning of year, as restated	(52,777,410)	(52,999,256)
Net assets, end of year	<u>\$ (53,709,837)</u>	<u>\$ (52,777,410)</u>

# **CLINTONDALE COMMUNITY SCHOOLS**

## **Managements' Discussion and Analysis**

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### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and financial analysis of the Government's Funds.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a net ending fund deficit of \$3,910,756, a decrease of \$2,174,095 from the prior year. \$69,156 of fund balance is reserved to indicate that it is not available for new spending because the underlying assets are included in inventory and prepaids. At the end of the current fiscal year, unreserved fund balance was in a deficit position of \$3,979,912.

The general fund is the chief operating fund of the District, and represents the bulk of the District's unreserved fund balance. At the end of the current fiscal year, unreserved fund balance of the general fund was in a deficit position of \$4,715,981.

The fund balance of the District's general fund decreased by \$1,472,515 during the current fiscal year, as expenditures continued to exceed revenues. State aid revenues increased by 2.7%, while expenditure increases in many cases exceeded that percentage.

The capital projects fund incurred \$564,417 of expenditures directly attributable to the bond monies used for the District's building renovation. These expenditures brought the total fund balance down to \$277,565, which represents the unliquidated portion of the original bond proceeds.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgeted revenues and expenditures amounted to a increase of \$54,818 in revenues and an increase in expenditures of \$1,648,427. The final amended budgets reflected more accurate knowledge of funding levels after the original budget was approved in June of 2007. There was a reduction in the expected per pupil foundation allowance, reductions in the federal adult education grant and Medicaid Outreach reimbursements, and a decrease in both state and county funding for special education. The increase in the expenditure budget was mainly due to the cost of the Adult Education Program, which increased \$1,243,060.

# CLINTONDALE COMMUNITY SCHOOLS

## Managements' Discussion and Analysis

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### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets as of June 30, 2008 amounted to \$23,327,859 (net of accumulated depreciation), which is a decrease in the prior year's investment of \$643,772, net. This investment in capital assets includes land, buildings, vehicles and equipment.

The major capital asset events during the current fiscal year were the renovations to building and grounds that were funded from the 2005 voted bond issue.

### District's Capital Assets (net of depreciation)

	<u>2007 -2008</u>	<u>2006 -2007</u>
Land	\$ 132,180	\$ 132,180
Land Improvements	928,178	829,605
Buildings and building improvements	21,279,297	21,994,459
Buses and other vehicles	91,372	129,126
Furniture and equipment	<u>896,832</u>	<u>886,261</u>
Total	<u>\$ 23,327,859</u>	<u>\$ 23,971,631</u>

Additional information on the District's capital assets can be found in the Notes to Financial Statements section of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$51,601,019 plus unamortized premium of \$929,909.

The District's total bonded debt decreased by \$6,148,000 (approximately 10.7%) during the current fiscal year, due in part to an additional \$3.6 million borrowed from the School Bond Loan Fund to make payments on long-term debt.

Additional information on the District's long-term debt can be found in the Notes to Financial Statements section of this report.

# **CLINTONDALE COMMUNITY SCHOOLS**

## **Managements' Discussion and Analysis**

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### **The District's Future**

Michigan's economy continues to deteriorate. Though the 2008-2009 foundation allowance increased by \$100.00 (1.3%) there is concern that the State can continue to provide increases or even maintain current levels. The District continues to investigate cost cutting opportunities and seek ways to increase or maintain the student population, but the economic situation makes this very challenging.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, 35100 Little Mack, Clinton Township, Michigan 48035.

## **BASIC FINANCIAL STATEMENTS**

# CLINTONDALE COMMUNITY SCHOOLS

## STATEMENT OF NET ASSETS

June 30, 2008

	<b>Government Activities</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,140,185
Accounts receivable	5,517,827
Prepaid expenditures	69,156
Total current assets	<u>9,727,168</u>
<b>Noncurrent assets:</b>	
Capital assets not being depreciated	132,180
Capital assets being depreciated	54,747,602
Accumulated depreciation	(31,551,923)
Net capital assets	<u>23,327,859</u>
Durant receivable	441,019
Other receivable	228,752
Unamortized bond issuance cost	<u>249,146</u>
Total noncurrent assets	<u>24,246,776</u>
<b>Total assets</b>	<b><u>33,973,944</u></b>
<b>Current liabilities:</b>	
Accounts payable	1,450,262
Accrued liabilities	2,941,741
Unearned revenue	44,679
Accrued interest payable	339,190
Short-term loans	9,000,000
Due within one year	
Bonds payable, net	6,375,889
Other obligations	168,100
Compensated absences	<u>100,000</u>
Total current liabilities	<u>20,419,861</u>
<b>Noncurrent liabilities:</b>	
Bonds payable, net	46,155,040
Other obligations	20,652,258
Compensated absences	<u>456,624</u>
Total noncurrent liabilities	<u>67,263,922</u>
<b>Total liabilities</b>	<b><u>87,683,783</u></b>
<b>Net assets (deficit)</b>	
Investment in capital assets, net of related debt	(49,343,467)
Restricted for: debt service	
Debt service	501,773
Capital projects	277,565
Unrestricted (deficit)	<u>(5,145,710)</u>
<b>Total net assets (deficit)</b>	<b><u>(53,709,839)</u></b>

The accompanying notes are an integral part of the financial statements.



# CLINTONDALE COMMUNITY SCHOOLS

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants/ Contributions	Net(Expense) Revenue and Changes in Net Assets
<b>PRIMARY GOVERNMENT, GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 20,696,577	\$ 0	\$ 4,813,873	\$ (15,882,704)
Support services	10,930,045	0	0	(10,930,045)
Community service	46,076	0	0	(46,076)
Food service	914,281	278,352	629,974	(5,955)
Athletics	447,663	11,853	0	(435,810)
Child Care	399,170	421,831	0	22,661
Interest on long-term debt	2,922,989	0	0	(2,922,989)
Unallocated depreciation	1,279,155	0	0	(1,279,155)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 37,635,956</b>	<b>\$ 712,036</b>	<b>\$ 5,443,847</b>	<b>(31,480,073)</b>
<b>GENERAL REVENUES:</b>				
Taxes				
Property taxes levied for general purposes				2,464,853
Property taxes levied for debt services				4,521,700
State aid, unrestricted				22,408,238
Interest revenue				249,680
Other income				903,174
<b>TOTAL GENERAL REVENUES</b>				<b>30,547,645</b>
<b>CHANGE IN NET ASSETS</b>				<b>(932,428)</b>
NET ASSETS, July 1, 2007				(52,777,410)
<b>NET ASSETS, June 30, 2008</b>				<b>\$ (53,709,838)</b>

The accompanying notes are an integral part of the financial statements.

# CLINTONDALE COMMUNITY SCHOOLS

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,364,037	\$ 496,301	\$ 279,247	\$ 600	\$ 4,140,185
Taxes receivable	52,775	46,837	0	0	99,612
Accounts receivable	39,523	441,019	0	152,301	632,843
Due from other governmental units	5,024,102	0	0	87,914	5,112,016
Due from other funds	220,359	0	0	0	220,359
Inventory	7,516	0	0	17,167	24,683
Prepaid expenditures	44,473	0	0	0	44,473
<b>TOTAL ASSETS</b>	<b>\$ <u>8,752,785</u></b>	<b>\$ <u>984,157</u></b>	<b>\$ <u>279,247</u></b>	<b>\$ <u>257,982</u></b>	<b>\$ <u>10,274,171</u></b>
<b>LIABILITIES AND FUND BALANCE</b>					
LIABILITIES:					
Accounts payable	\$ 1,442,203	\$ 0	\$ 0	\$ 8,059	\$ 1,450,262
Salaries payable	1,584,081	0	0	3,510	1,587,591
Payroll withholdings	50,437	0	0	0	50,437
Accrued expenditures	1,301,864	0	0	1,849	1,303,713
Due to other funds	0	0	1,682	218,677	220,359
State aid note	9,000,000	0	0	0	9,000,000
Deferred revenue	90,181	482,384	0	0	572,565
<b>TOTAL LIABILITIES</b>	<b><u>13,468,766</u></b>	<b><u>482,384</u></b>	<b><u>1,682</u></b>	<b><u>232,095</u></b>	<b><u>14,184,927</u></b>
FUND BALANCE (DEFICIT):					
Reserved for inventories and and prepaid expenses	51,989	0	0	17,167	69,156
Unreserved:					
Undesignated (Deficit)	<u>(4,767,970)</u>	<u>501,773</u>	<u>277,565</u>	<u>8,720</u>	<u>(3,979,912)</u>
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<b><u>(4,715,981)</u></b>	<b><u>501,773</u></b>	<b><u>277,565</u></b>	<b><u>25,887</u></b>	<b><u>(3,910,756)</u></b>
<b>TOTAL LIABILITIES AND AND FUND BALANCE</b>	<b>\$ <u>8,752,785</u></b>	<b>\$ <u>984,157</u></b>	<b>\$ <u>279,247</u></b>	<b>\$ <u>257,982</u></b>	<b>\$ <u>10,274,171</u></b>

The accompanying notes are an integral part of the financial statements.

**CLINTONDALE COMMUNITY SCHOOLS**

**Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Assets of  
Governmental Activities on the Statement of Net Assets  
June 30, 2008**

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<b>Fund Balances (deficit) - total governmental funds</b>	<b>\$</b>	<b>(3,910,756)</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Add: capital assets		54,879,782
Less: accumulated depreciation		(31,551,923)

Other long-term assets not available to pay current period expenditures therefore deferred in the governmental funds		527,886
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Less: bonds payable		(51,601,019)
Less: Michigan school bond loan		(20,140,397)
Less: premium on bonds issued		(1,295,200)
Add: accumulated amortization on premium		365,291
Add: bond issuance cost		316,068
Less: accumulated amortization on bond issuance cost		(66,922)
Less: settlement with the State of Michigan		(457,502)
Add: vendor receivable related to settlement		343,127
Less: accrued interest payable		(339,190)
Less: agreement with vendor		(64,359)
Less: self-insurance workers' compensation claims		(158,100)
Less: accrued compensated absences		(556,624)

<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>(53,709,838)</b>
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The accompanying notes are an integral part of the financial statements.

# CLINTONDALE COMMUNITY SCHOOLS

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2008

	<b>General Fund</b>	<b>Debt Retirement Fund</b>	<b>Capital Project Fund</b>	<b>Nonmajor Funds</b>	<b>Totals</b>
<b>REVENUES</b>					
Local sources	\$ 3,207,151	\$ 5,116,316	\$ 25,333	\$ 712,036	\$ 9,060,836
State sources	25,841,245	0	0	34,460	25,875,705
Federal sources	1,380,866	0	0	595,514	1,976,380
<b>TOTAL REVENUES</b>	<b><u>30,429,262</u></b>	<b><u>5,116,316</u></b>	<b><u>25,333</u></b>	<b><u>1,342,010</u></b>	<b><u>36,912,921</u></b>
<b>EXPENDITURES</b>					
Current:					
Instruction	20,696,577	0	0	0	20,696,577
Support services	10,888,417	1,652	9,180	0	10,899,249
Community service	46,076				46,076
Food service activities	0	0	0	914,281	914,281
Athletics	0	0	0	447,663	447,663
Child Care	0	0	0	399,170	399,170
Debt service					
Principal	0	6,148,000	0	13,642	6,161,642
Interest	0	2,252,563	0	0	2,252,563
Capital outlay	2,885	0	555,237	77,261	635,383
<b>TOTAL EXPENDITURES</b>	<b><u>31,633,955</u></b>	<b><u>8,402,215</u></b>	<b><u>564,417</u></b>	<b><u>1,852,017</u></b>	<b><u>42,452,604</u></b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(1,204,693)</b>	<b>(3,285,899)</b>	<b>(539,084)</b>	<b>(510,007)</b>	<b>(5,539,683)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of debt	0	2,854,176	0	78,000	2,932,176
Operating transfers in and other	420,742	8,035	0	4,635	433,412
Interfund transfers					
Incoming	30,771	283,525	0	435,810	750,106
Outgoing	(719,335)	0	0	(30,771)	(750,106)
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>(1,472,515)</u></b>	<b><u>(140,163)</u></b>	<b><u>(539,084)</u></b>	<b><u>(22,333)</u></b>	<b><u>(2,174,095)</u></b>
FUND BALANCE, July 1, 2007	<u>(3,243,466)</u>	<u>641,936</u>	<u>816,649</u>	<u>48,220</u>	<u>(1,736,661)</u>
<b>FUND BALANCE, June 30, 2008</b>	<b>\$ <u>(4,715,981)</u></b>	<b>\$ <u>501,773</u></b>	<b>\$ <u>277,565</u></b>	<b>\$ <u>25,887</u></b>	<b>\$ <u>(3,910,756)</u></b>

The accompanying notes are an integral part of the financial statements.

# CLINTONDALE COMMUNITY SCHOOLS

## GOVERNMENTAL FUNDS RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2008

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>(2,174,095)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds reported capital outlays as expenditures, but in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Add: capital outlay	635,383
Less: depreciation expense	(1,279,155)

Proceeds from issuance of debt provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	6,161,642
Add: payments on settlement with the State of Michigan	108,029
Less: settlement with the State of Michigan, net	(114,375)
Less: proceeds from issuance of debt	(2,932,176)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds, but are deferred until they provide current financial resources.

Less: change in deferred revenue	(528,430)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Less: amortization of bond issuance costs	(18,574)
Less: amortization of premium	88,890
Add: change in accrued interest on bonds payable	37,172
Less: change in accrued interest on State loan payable	(777,914)
Less: change in Workers' Compensation liability	(20,050)
Less: change in accrual for compensated absences	(118,775)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(932,428)</u></b>
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# CLINTONDALE COMMUNITY SCHOOLS

## FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

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Agency Fund  
Internal  
Activities

### ASSETS

Cash and cash equivalents

\$ 131,621

### LIABILITIES

Due to student organizations

\$ 131,621

The accompanying notes are an integral part of the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting entity**

The Clintondale Community Schools (the "District") has followed the guidelines of the Governmental Accounting Standards Board Statements No. 14 and No. 39 and determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### **B. District-wide and fund financial statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended 2008.

The statement of net assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **C. Measurement focus, basis of accounting, and financial statement presentation**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but do not use the economic resource measurement focus.



# CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The capital project fund accounts for bond proceeds or other revenue and the disbursement of funds specifically designed for acquiring new school sites, buildings, equipment, and major remodeling. The fund operates until the purposes for which it was created is accomplished.

Additionally, the District reports the following fund types:

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes. The District's special revenue funds include food service, child care and athletics funds. Any operating deficit generated by these activities is the responsibility of the general fund.

Agency funds are custodial in nature where assets equal liabilities and do not report the measurement of results of operations

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

# CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and unrestricted State aid.

The effect of interfund activity has been eliminated from the District-wide financial statements

### **C. Assets, liabilities and fund balance**

#### **1. *Deposits and investments***

The District's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### ***Statutory Authority***

Michigan law authorizes the District to deposit and invest in:

- (a)** Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State of Michigan. In a primary or fourth class district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase date.
- (b)** Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State of
- (c)** Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase
- (d)** Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.

# CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

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(e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

(f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are generally referred to as "due to/from other funds".

### 3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and governmental fund financial statements. The cost of issuance of long-term obligations, which is only recorded in the district-wide financial statements is being amortized on a straight-line basis over the life of the related obligations.

### 4. *Capital assets*

Capital assets, which include land, property, improvements, furniture and equipment, and vehicles, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, building additions, and land improvements	20-50
Furniture and equipment	3-10
Vehicles	8

**5. *Compensated absences***

The liability for compensated absences reported in the district-wide statements consists of accrued vacation and sick time. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**6. *Long-term obligations***

In the district-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

**7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. *Use of estimates***

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary information**

Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. All annual appropriations lapse at fiscal year end

## NOTES TO THE FINANCIAL STATEMENTS

**B. Excess of expenditures over appropriations**

During the year, the District did incur expenditures in certain budgeted funds which were in excess of amounts originally appropriated as follows:

## General fund:

## Instruction

Adult education	\$ 936,029	\$ 947,113	\$ 11,084
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## Support services:

Pupil services	2,055,338	2,132,481	77,143
Instructional staff	607,938	618,414	10,476
School administration	1,624,803	1,762,657	137,854
Business services	991,734	1,120,581	128,847

**III. DETAILED NOTES ON ALL FUNDS****A. Deposits and investments**

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

	Deposits	Investments	Other	Total
Statement of net assets:				
Cash and cash equivalents	\$ 1,585,392	\$ 2,552,418	\$ 2,375	\$ 4,140,185
Fiduciary funds:				
Cash and cash equivalents	131,621	0	0	131,621
Total primary government	\$ 1,717,013	\$ 2,552,418	\$ 2,375	\$ 4,271,806
<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Agency</u>
Michigan Liquid Assets Fund	N/A	\$ 2,056,119	AAAm	Standard & Poors
LaSalle bank, investment pool	N/A	496,299	N/A	
Total		\$ 2,552,418		

***Investment and Deposit Risk***

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. State law limits investments to specific investment types as identified in the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of State law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. The District only uses financial institutions which are evaluated to have an acceptable risk level. The FDIC insures a limited amount of the District's deposits, but it is impractical for the District to have all deposits insured. At year end, the District had \$2,268,386 in funds deposited at banks, of which \$1,965,256 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. State law does not require and the District does not have a policy for investment custodial credit risk. As of June 30 of the current year, all of the District's investment balance of \$2,552,418 was exposed to custodial credit risk because it was uninsured and held by the counterparty's trust department or agent, but not in the government's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the District's investments are in MILAF and the investment pool of LaSalle bank. All investments held at year-end are reported in the investment total above.

## B. Receivables

Receivables at year-end, as shown on the Statement of Net Assets, consist of the following:

Taxes receivable	\$ 99,612
Accounts receivable	191,824
Due from other governmental units	5,112,016
Current portion of settlement (Note E)	<u>114,375</u>
	<u>\$ 5,517,827</u>

## C. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2008 is as follows:

		<u>Due to</u>
		General
<u>Due from</u>		Fund
Capital projects fund	\$	<u>1,682</u>
Nonmajor fund		<u>218,677</u>
<b>Total</b>	<b>\$</b>	<b><u>220,359</u></b>

## CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Nonmajor funds do not maintain separate bank accounts, so there can be no payment made between these funds and the general

The composition of interfund transfers for the year ended is as follows:

<b>Transfers out</b>	<b>Transfers in</b>			<b>Total</b>
	<b>General Fund</b>	<b>Debt Fund</b>	<b>Nonmajor Fund</b>	
General fund	\$ 0	\$ 283,525	\$ 435,810	\$ 719,335
Nonmajor fund	30,771	0	0	30,771
<b>Total</b>	<b>\$ 30,771</b>	<b>\$ 283,525</b>	<b>\$ 435,810</b>	<b>\$ 750,106</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) reimburse the general fund for indirect costs related to nonmajor governmental funds.

**D. Capital assets**

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Disposals and adjustments</b>	<b>Balance June 30, 2008</b>
Capital assets not being depreciated				
Land	\$ 132,180	\$ 0	\$ 0	\$ 132,180
Capital assets being depreciated:				
Land improvements	\$ 2,007,989	\$ 190,777	\$ 0	\$ 2,198,766
Building and improvements	44,553,771	243,030	0	44,796,801
Furniture and equipment	6,510,971	201,576	0	6,712,547
Vehicles	1,039,488	0	0	1,039,488
<b>Total capital assets being depreciated</b>	<b>54,112,219</b>	<b>635,383</b>	<b>0</b>	<b>54,747,602</b>

## NOTES TO THE FINANCIAL STATEMENTS

**D. Capital assets (continued)**

	Balance July 1, 2007	Additions	Disposals and adjustments	Balance June 30, 2008
Accumulated depreciation:				
Land improvements	\$ 1,178,384	\$ 92,204	\$ 0	\$ 1,270,588
Building and improvements	22,559,312	958,192	0	23,517,504
Furniture and equipment	5,624,710	191,005	0	5,815,715
Vehicles	910,362	37,754	0	948,116
<b>Total accumulated depreciation</b>	<b>30,272,768</b>	<b>1,279,155</b>	<b>0</b>	<b>31,551,923</b>
Net capital assets being depreciated	\$ 23,839,451	\$ (643,772)	\$ 0	\$ 23,195,679
<b>Net capital assets</b>	<b>\$ 23,971,631</b>	<b>\$ (643,772)</b>	<b>\$ 0</b>	<b>\$ 23,327,859</b>

Depreciation expense was not charged to functions/programs of the primary government as the District considers its assets to impact multiple activities and allocation is not practical.

**E. Long-term debt**

The following is a summary of bond, note, and compensated absence transactions of the District for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
General obligation bonds	\$ 57,749,019	\$ 0	\$ (6,148,000)	\$ 51,601,019
Unamortized bond premium	1,018,799	0	(88,890)	929,909
Bonds payable, net	58,767,818	0	(6,236,890)	52,530,928
Michigan school bond loan	16,508,308	3,632,089	0	20,140,397
Other obligations	246,079	555,552	(121,670)	679,961
Compensated absences	437,849	118,775	0	556,624
<b>Total</b>	<b>\$ 75,960,054</b>	<b>\$ 4,306,416</b>	<b>\$ (6,358,560)</b>	<b>\$ 73,907,910</b>

Amounts due in one year are as follows:

Governmental activities	
General obligation bonds	\$ 6,287,000
Unamortized bond premium	88,889
Bonds payable, net	6,375,889
Michigan school bond loan	0
Other obligations	168,100
Compensated absences	100,000
<b>Total</b>	<b>\$ 6,643,989</b>



# CLINTONDALE COMMUNITY SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
2009	\$ 6,287,000	\$ 2,035,138	\$ 8,322,138
2010	6,452,113	1,790,234	8,242,347
2011	6,268,619	1,536,333	7,804,952
2012	5,143,788	1,293,545	6,437,333
2013	5,480,499	1,204,034	6,684,533
2014-2018	11,069,000	3,502,392	14,571,392
2019-2023	7,245,000	1,784,520	9,029,520
2024-2028	3,655,000	329,525	3,984,525
	<u>\$ 51,601,019</u>	<u>\$ 13,475,721</u>	<u>\$ 65,076,740</u>

Bonds payable at June 30, 2008, are comprised of the following issues:

### General Obligation Bonds

1998 Issue - \$7,880,000 serial bonds due in annual installments of \$225,000 to \$250,000 through May 1, 2014; interest at 3.80% to 7.25%	\$ 1,450,000
Energy Management Issue - \$1,600,000 serial bonds due in annual installments of \$190,000 to \$200,000 through May 1, 2010; interest at 4.45% to 5.35%	390,000
Energy Conservation Issue - \$490,000 serial bonds due in annual installments of \$70,000 through May 1, 2010; interest at 2.70% to 4.20%	140,000
2003 Issue - \$2,060,000 serial bonds due in annual installments of \$100,000 to \$140,000 through May 1, 2016; interest at 2.00% to 4.00%	960,000
2003 SBLF Issue - \$31,241,420 serial bonds due in annual installments of \$3,267,000 to \$3,834,000 through May 1, 2014; interest at 3.32%	21,265,000
2004 Issue - \$11,425,000 serial bonds due in annual installments of \$220,000 to \$1,765,000 through May 1, 2017; interest at 2.00% to 5.00%	7,455,000
2005 Building Issue - \$6,925,000 serial bonds due in annual installments of \$150,000 to \$600,000 through May 1, 2025; interest at 3.00% to 5.00%	6,625,000
2005 Refunding Issue - \$10,120,000 serial bonds due in annual installments of \$240,000 to \$665,000 through May 1, 2026; interest at 3.00% to 5.00%	9,055,000
2006 Issue - \$3,820,000 serial bonds due in annual installments of \$270,000 to \$275,000 from May 1, 2015 through May 1, 2028; interest at 3.75% to 4.25%	3,820,000

## NOTES TO THE FINANCIAL STATEMENTS

* Durant - \$746,904 series bonds due in annual installments of \$41,568 to \$262,499 through May 1, 2013; plus interest at 4.76%	441,019
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Total Bonded Debt	\$ <u>51,601,019</u>
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\* Annual total payments (principal and interest) associated with the Durant Bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other financial resources from the District.

### Michigan School Bond Loan

The school bond loan payable represents notes payable to the State of Michigan for loans made to the District for the purpose of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest has been assessed throughout the year at annual rates ranging from 4.68% to 5.04%. The District is required to repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the District, no provision for repayment has been included in the above amortization schedule.

### Other Obligations

Other long-term obligations include the following:

Agreement with vendor	\$ 64,358
Self-insurance workers' compensation claims	158,100
Settlement with the State of Michigan	<u>457,502</u>
Total	\$ <u>679,960</u>

### Compensated Absences

Certain District employees are awarded vacation and sick days based on various union contract terms. Upon termination, employees are paid for accumulated vacation and sick days at a rate determined by the contracts. The estimated liability for accumulated unpaid vacation and sick days of \$556,624 is included in the district-wide financial statements.

### Bonded Construction Costs

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of § 1351a of the Michigan Revised School Code.

### Agreement with Vendor

The District entered into an agreement with its food service vendor for the purchase of and investment in certain capital assets in the amount of \$78,000. The agreement provides for minimum payments of approximately \$1,300 per month for 60 months at a non-interest bearing rate. As of June 30, \$64,358 remained outstanding of which \$15,600 has been shown as current.

**Self-Insured Workers' Compensation**

A summary of the changes in the estimated workers' compensation liability for each of the last two years are as follows:

	<u>2008</u>	<u>2007</u>
Beginning Balance	\$ 138,050	\$ 104,425
Estimated claims incurred. including changes in estimates	105,094	67,250
Claims payments	<u>(85,044)</u>	<u>(33,625)</u>
Ending balance	<u>\$ 158,100</u>	<u>\$ 138,050</u>

**Settlement with the State of Michigan**

During the current year, the District entered into a settlement with the State of Michigan to repay funding in the amount of \$457,502 received from the state relating to the District's adult education program. Terms of the settlement require the District to pay 36 monthly installments of approximately \$12,700 beginning July 20, 2008 without interest. The District also entered into an agreement with its Adult Education vendor to be reimbursed for 75% of the amount due to the State on a monthly basis of approximately \$9,500. Of the total amount of \$343,127, \$114,375 has been included in accounts receivable. The balance of \$228,752 is reported as a non-current asset.

**F. State Aid Notes**

The District issued a State Aid note in August 2007 for \$9,000,000 for additional cash flow purposes. The note is payable in a lump sum August 20, 2008 plus interest of 3.68%.

**G. Commitments and Contingencies**

The District has a management contract with a vendor to provide educational services to students enrolled in the District's adult and alternative education programs through June 30, 2011. Payments to the vendor are computed on a per pupil basis and adjusted annually based on the percentage change in the District's Foundation Allowance and Adult Education revenue. Expenditures recorded for the current year to the vendor under the contract were approximately \$5.6 million. The District was reimbursed approximately \$1 million by the vendor for expenditures incurred to support the programs, including instructional salaries, benefits, and facility costs. In addition, the District pays the vendor a share of federal and state grant revenue received that is directly attributable to students in the adult education grant programs.

**G. Deficit Elimination Plan**

The District is currently preparing a replacement deficit elimination plan which is due to the State of Michigan by December 15, 2008.

**IV. OTHER INFORMATION****A. Risk Management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District is partially self-insured for workers' compensation claims and has purchased commercial insurance for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years

The District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements.

The District participates in numerous federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectibility of any receivable at June 30 may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**B. Property Taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. Taxes are billed on July 1 and on December 1. The final collection date is February 28, after which they are added to the county tax roll.

**C. Defined Benefit Pension Plan****Plan Description**

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, PO Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

**Funding Policy**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent and 16.72 percent of the covered payroll to the Plan for the periods from July 1, 2007 through September 30, 2007 and October 1, 2007 through June 30, 2008,

Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3.0% to 4.3% of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$3,065,000, \$2,879,000 and \$2,542,000, respectively.

**Other Postemployment Benefits**

Under the MPSERS' Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage.

**D. Subsequent Events**

This District received a state aid anticipation note in the amount of \$9.2 million in August of 2008 at an interest rate of 1.70% due in August of 2009.

## **SUPPLEMENTARY INFORMATION**

# CLINTONDALE COMMUNITY SCHOOLS

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>REVENUES:</b>				
Local sources:	\$ 3,690,379	\$ 3,615,085	\$ 3,207,151	(407,934)
State sources:	25,856,766	25,980,205	25,841,245	(138,960)
Federal sources	<u>1,726,498</u>	<u>1,724,195</u>	<u>1,380,866</u>	<u>(343,329)</u>
<b>TOTAL REVENUES</b>	<b><u>31,273,643</u></b>	<b><u>31,319,485</u></b>	<b><u>30,429,262</u></b>	<b><u>(890,223)</u></b>
<b>EXPENDITURES:</b>				
Instruction:				
Basic programs	15,068,140	15,991,523	15,523,908	467,615
Added needs	4,139,210	4,332,385	4,228,441	103,944
Adult/continuing education	<u>950,453</u>	<u>936,029</u>	<u>947,113</u>	<u>(11,084)</u>
	20,157,803	21,259,937	20,699,462	560,475
Support services:				
Pupil services	2,157,455	2,055,338	2,132,481	(77,143)
Instructional staff	523,265	607,938	618,414	(10,476)
General administration	616,369	698,335	654,869	43,466
School administration	1,563,494	1,624,803	1,762,657	(137,854)
Business services	972,178	991,734	1,120,581	(128,847)
Operation and maintenance	3,529,293	3,799,794	3,617,357	182,437
Pupil transportation	560,278	609,182	602,181	7,001
Central	<u>386,141</u>	<u>396,523</u>	<u>379,877</u>	<u>16,646</u>
Total support services	10,308,473	10,783,647	10,888,417	(104,770)
Community service	<u>42,276</u>	<u>48,679</u>	<u>46,076</u>	<u>2,603</u>
<b>TOTAL EXPENDITURES</b>	<b><u>30,508,552</u></b>	<b><u>32,092,263</u></b>	<b><u>31,633,955</u></b>	<b><u>458,308</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>765,091</b>	<b>(772,778)</b>	<b>(1,204,693)</b>	<b>(431,915)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out) and other	(73,000)	(64,202)	420,742	484,944
Interfund transfers				
Incoming	102,000	110,976	30,771	(80,205)
Outgoing	<u>(682,911)</u>	<u>(756,425)</u>	<u>(719,335)</u>	<u>37,090</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>111,180</b>	<b>(1,482,429)</b>	<b>(1,472,515)</b>	<b>9,914</b>
<b>FUND BALANCE (DEFICIT), July 1, 2007</b>	<b><u>(3,243,466)</u></b>	<b><u>(3,243,466)</u></b>	<b><u>(3,243,466)</u></b>	<b><u>0</u></b>
<b>FUND BALANCE (DEFICIT), June 30, 2008</b>	<b>\$ <u>(3,132,286)</u></b>	<b>\$ <u>(4,725,895)</u></b>	<b>\$ <u>(4,715,981)</u></b>	<b><u>9,914</u></b>

# CLINTONDALE COMMUNITY SCHOOLS

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2008

ASSETS	Special Revenue Funds			
	Food Service Fund	Athletic Fund	Child Care	Total
Cash and cash equivalents	\$ 600	\$ 0	\$ 0	\$ 600
Accounts receivable	123,271	0	29,030	152,301
Due from other governmental units	87,914	0	0	87,914
Inventory	17,167	0	0	17,167
<b>Total assets</b>	<b>\$ 228,952</b>	<b>\$ 0</b>	<b>\$ 29,030</b>	<b>\$ 257,982</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 8,059	\$ 0	\$ 0	\$ 8,059
Accrued expenditures	994	0	855	1,849
Salaries payable	0	0	3,510	3,510
Due to other funds	194,190	0	24,487	218,677
<b>Total liabilities</b>	<b>203,243</b>	<b>0</b>	<b>28,852</b>	<b>232,095</b>
<b>Fund balances</b>				
Reserved for inventory	17,167	0	0	17,167
Unreserved				
Undesignated	8,542	0	178	8,720
<b>Total fund balances</b>	<b>25,709</b>	<b>0</b>	<b>178</b>	<b>25,887</b>
<b>Total liabilities and fund balances</b>	<b>\$ 228,952</b>	<b>\$ 0</b>	<b>\$ 29,030</b>	<b>\$ 257,982</b>



# CLINTONDALE COMMUNITY SCHOOLS

## NONMAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended 6/30/2008

		Special Revenue Funds			
		Food Service Fund	Athletic Fund	Child Care	Total
<b>REVENUES</b>					
Local	\$	278,352	\$ 11,853	\$ 421,831	\$ 712,036
State		34,460	0	0	34,460
Federal		595,514	0	0	595,514
<b>TOTAL REVENUES</b>		<b>908,326</b>	<b>11,853</b>	<b>421,831</b>	<b>1,342,010</b>
<b>EXPENDITURES</b>					
Current:					
Food services		1,005,184	0	0	1,005,184
Athletics		0	447,663	0	447,663
Child Care		0	0	399,170	399,170
<b>TOTAL EXPENDITURES</b>		<b>1,005,184</b>	<b>447,663</b>	<b>399,170</b>	<b>1,852,017</b>
Excess of Revenues Over (under) expenditures		(96,858)	(435,810)	22,661	(510,007)
Other Financing Sources:					
Proceeds from debt		78,000	0	0	78,000
Operating transfers in and other		4,635	0	0	4,635
Interfund transfers					
Incoming		0	435,810	0	435,810
Outgoing		0	0	(30,771)	(30,771)
<b>NET CHANGE IN FUND BALANCES</b>		<b>(14,223)</b>	<b>0</b>	<b>(8,110)</b>	<b>(22,333)</b>
FUND BALANCES, July 1, 2007		39,932	0	8,288	48,220
<b>FUND BALANCES, June 30, 2008</b>	<b>\$</b>	<b>25,709</b>	<b>\$ 0</b>	<b>\$ 178</b>	<b>\$ 25,887</b>

Clintondale Community Schools  
Schedule of Bonded Indebtedness  
June 30, 2008

Year ending June 30	1998 Issue	Energy Management Issue	Energy Conservation Issue	2003 Issue	2003 SBLF Issue	2004 Issue	2005 Building Issue	2005 Refunding Issue	2006 Refunding Issue	Total Bonded Debt	Durant Non-plaintiff Bond
2009	\$ 225,000	\$ 190,000	\$ 70,000	\$ 140,000	\$ 3,267,000	\$ 1,765,000	\$ 150,000	\$ 480,000	\$ 0	\$ 6,287,000	\$ 0
2010	225,000	200,000	70,000	135,000	3,372,000	1,745,000	150,000	470,000	0	6,367,000	41,568
2011	250,000	0	0	125,000	3,483,000	1,710,000	200,000	455,000	0	6,223,000	43,545
2012	250,000	0	0	125,000	3,596,000	450,000	225,000	450,000	0	5,096,000	45,619
2013	250,000	0	0	115,000	3,713,000	455,000	250,000	435,000	0	5,218,000	47,788
2014	250,000	0	0	115,000	3,834,000	450,000	275,000	430,000	0	5,354,000	262,499
2015	0	0	0	105,000	0	440,000	300,000	450,000	270,000	1,565,000	0
2016	0	0	0	100,000	0	220,000	400,000	445,000	270,000	1,435,000	0
2017	0	0	0	0	0	220,000	425,000	435,000	270,000	1,350,000	0
2018	0	0	0	0	0	0	450,000	645,000	270,000	1,365,000	0
2019	0	0	0	0	0	0	475,000	665,000	270,000	1,410,000	0
2020	0	0	0	0	0	0	500,000	660,000	270,000	1,430,000	0
2021	0	0	0	0	0	0	525,000	650,000	275,000	1,450,000	0
2022	0	0	0	0	0	0	550,000	645,000	275,000	1,470,000	0
2023	0	0	0	0	0	0	575,000	635,000	275,000	1,485,000	0
2024	0	0	0	0	0	0	575,000	620,000	275,000	1,470,000	0
2025	0	0	0	0	0	0	600,000	245,000	275,000	1,120,000	0
2026	0	0	0	0	0	0	0	240,000	275,000	515,000	0
2027	0	0	0	0	0	0	0	0	275,000	275,000	0
2028	0	0	0	0	0	0	0	0	275,000	275,000	0
<b>TOTALS</b>	<b>\$ 1,450,000</b>	<b>\$ 390,000</b>	<b>\$ 140,000</b>	<b>\$ 960,000</b>	<b>\$ 21,265,000</b>	<b>\$ 7,455,000</b>	<b>\$ 6,625,000</b>	<b>\$ 9,055,000</b>	<b>\$ 3,820,000</b>	<b>\$ 51,160,000</b>	<b>\$ 441,019</b>
Principal due	May 1st	May 1st	May 1st	May 1st	May 1st	May 1st	May 1st	May 1st	May 1st		May 15
Interest due on the first day of the month	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November	May and November		May
Interest Rate	3.80% - 7.25%	4.45% - 5.35%	2.70% - 4.20%	2.00% - 4.00%	3.32%	2.00% - 5.00%	3.00% - 5.00%	3.00% - 5.00%	3.70% - 4.20%		4.76%
Original Issue	<u>\$ 7,880,000</u>	<u>\$ 1,600,000</u>	<u>\$ 490,000</u>	<u>\$ 2,060,000</u>	<u>\$ 31,241,420</u>	<u>\$ 11,425,000</u>	<u>\$ 6,925,000</u>	<u>\$ 10,120,000</u>	<u>\$ 3,820,000</u>		<u>\$ 746,904</u>

**CLINTONDALE COMMUNITY SCHOOLS**  
**Clinton Township, Michigan**

**REPORT ON EXPENDITURES  
OF FEDERAL AWARDS**

**June 30, 2008**

# CLINTONDALE COMMUNITY SCHOOLS

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

November 24, 2008

Board of Education  
Clintondale Community Schools  
Clinton Township, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **CLINTONDALE COMMUNITY SCHOOLS** (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance and budget committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 24, 2008

Board of Education  
Clintondale Community Schools  
Clinton Township, Michigan

**Compliance**

We have audited the compliance of **CLINTONDALE COMMUNITY SCHOOLS** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Clintondale Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clintondale Community Schools' management. Our responsibility is to express an opinion on Clintondale Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clintondale Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clintondale Community Schools' compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

## **Internal Control Over Compliance**

The management of Clintondale Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clintondale Community School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on it.



### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Clintondale Community School District* (“the District”), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance and budget committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**Clintondale Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2008**

Program Title/Project Number Subrecipient Name			CFDA Number	Approved Award Amounts	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-Kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
<b>Clusters:</b>										
<b>Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:</b>										
National School Breakfast Program 2006-2007			10.553	\$ 91,365	\$ 83,336	\$ 15,766	\$ -	\$ 23,795	\$ 8,029	\$ -
National School Lunch Program 2006-2007			10.555	443,540	395,236	66,251	-	114,555	48,304	-
National School Breakfast Program 2007-2008			10.553	89,612	-	-	-	71,816	89,612	17,796
National School Lunch Program 2007-2008			10.555	403,695	-	-	-	333,577	403,695	70,118
<b>Total Child Nutrition Cluster</b>				<b>1,028,212</b>	<b>478,572</b>	<b>82,017</b>	<b>-</b>	<b>543,743</b>	<b>549,640</b>	<b>87,914</b>
<b>U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution:</b>										
Entitlement commodities - 2007-2008			10.550	42,010	-	-	-	42,010	42,010	-
Bonus commodities - 2007-2008			10.550	3,864	-	-	-	3,864	3,864	-
<b>Total Commodities</b>				<b>45,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,874</b>	<b>45,874</b>	<b>-</b>
<b>Total U.S. Department of Agriculture</b>				<b>1,074,086</b>	<b>478,572</b>	<b>82,017</b>	<b>-</b>	<b>589,617</b>	<b>595,514</b>	<b>87,914</b>
<b>Special Education Cluster - U.S. Department of Education - Passed through the Macomb County ISD:</b>										
IDEA:										
Project number 070450/0607 06--07 Flowthrough			84.027	620,334	583,103	117,851	-	155,082	37,231	-
Project number 080450/0708 07--08 Flowthrough			84.027	590,726	-	-	-	454,103	586,168	132,065
<b>Total IDEA</b>				<b>1,211,060</b>	<b>583,103</b>	<b>117,851</b>	<b>-</b>	<b>609,185</b>	<b>623,399</b>	<b>132,065</b>
Preschool Incentive:										
Project number 070460/0607 06--07 Seed			84.173	40,704	40,704	10,176	-	10,176	-	-
Project number 080460/0708 07--08 Seed			84.173	37,163	-	-	-	37,163	37,163	-
<b>Total Preschool Incentive</b>				<b>77,867</b>	<b>40,704</b>	<b>10,176</b>	<b>-</b>	<b>47,339</b>	<b>37,163</b>	<b>-</b>
<b>Total Special Education Cluster</b>				<b>1,288,927</b>	<b>623,807</b>	<b>128,027</b>	<b>-</b>	<b>656,524</b>	<b>660,562</b>	<b>132,065</b>

See Notes to Schedule of Expenditures of Federal Awards.

**Clintondale Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2008**

Program Title/Project Number Subrecipient Name				CFDA Number	Approved Award Amounts	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-Kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
<b>Other Federal Awards:</b>											
U.S. Department of Education:											
Indian Education											
Project number E-S060A061243	06--07			84.060A	58,501	58,501	-	-	-	-	-
Project number E-S060A071243	07--08			84.060A	36,473	-	-	-	30,499	30,499	-
<b>Total Indian Ed</b>					<b>94,974</b>	<b>58,501</b>	<b>-</b>	<b>-</b>	<b>30,499</b>	<b>30,499</b>	<b>-</b>
<b>Passed through the Michigan Department of Education:</b>											
Title I:											
Project number 071530/0607	06--07	PART A	Regular	84.010	401,004	351,013	51,013	-	51,013	-	-
Project number 081530/0708	07--08	PART A	Regular	84.010	508,301	-	-	-	408,301	483,455	75,154
Total Title I					909,305	351,013	51,013	-	459,314	483,455	75,154
Title II:											
Project number 070520/0607	06--07	PART A	Regular	84.367	129,758	129,758	19,758	-	19,758	-	-
Project number 080520/0708	07--08	PART A	Regular	84.367	131,892	-	-	-	125,000	131,892	6,892
Project number 074290/0607	06--07	PART D	Regular	84.318	4,116	4,116	4,116	-	4,116	-	-
Project number 084290/0708	07--08	PART D	Regular	84.318	4,285	-	-	-	3,336	3,336	-
Total Title II					270,051	133,874	23,874	-	152,210	135,228	6,892
Title V											
Project number 070250/0607	06--07	PART A	Regular	84.298	4,122	4,122	3,272	-	3,272	-	-
Project number 080250/0708	07--08	PART A	Regular	84.298	3,417	-	-	-	3,417	3,417	-
Total Title V					7,539	4,122	3,272	-	6,689	3,417	-
<b>Total noncluster programs passed through the Michigan Department of Education</b>					<b>1,186,895</b>	<b>489,009</b>	<b>78,159</b>	<b>-</b>	<b>618,213</b>	<b>622,100</b>	<b>82,046</b>
<b>Passed through the Macomb County ISD:</b>											
Safe and Drug-free Schools and Communities - Project number											
072860 0607				84.186	6,035	4,599	-	-	-	-	-
072860 0708				84.186	1,436	-	-	-	1,436	1,436	-
082860 0708				84.186	6,342	-	-	-	3,045	3,045	-

See Notes to Schedule of Expenditures of Federal Awards.

**Clintondale Community Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2008**

Program Title/Project Number Subrecipient Name	CFDA Number	Approved	(Memo Only)	Accrued	Adjustments and Transfers	Federal Funds/	Expenditures	Accrued
		Award Amounts	Prior Year Expenditures	(Deferred) Revenue at July 1, 2007		Payments In-Kind Received		(Deferred) Revenue at June 30, 2008
Total Safe and Drug-free Schools and Communities		<u>13,813</u>	<u>4,599</u>	<u>-</u>	<u>-</u>	<u>4,481</u>	<u>4,481</u>	<u>-</u>
Vocational Education - Basic Grants to States - Perkins II -								
Project number 073520-701216 Perkins	84.048A	37,600	37,600	-	-	-	-	-
Project number 083520-801216 Perkins	84.048A	<u>33,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,133</u>	<u>33,133</u>	<u>-</u>
Total Vocational Education - Basic Grants to States - Perkins I		<u>70,733</u>	<u>37,600</u>	<u>-</u>	<u>-</u>	<u>33,133</u>	<u>33,133</u>	<u>-</u>
Macomb / St Clair Workforce Development Board								
Contract Number 04-1043								
Career Development Facilitator 06-07	17.259	27,372	27,372	6,994	-	6,994	-	-
Career Development Facilitator 07-0	17.259	<u>29,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,658</u>	<u>27,074</u>	<u>3,416</u>
Total Macomb / St Clair Workforce Development Board		<u>57,080</u>	<u>27,372</u>	<u>6,994</u>	<u>-</u>	<u>30,652</u>	<u>27,074</u>	<u>3,416</u>
Taking Action To Manage Emergencies (TAME)								
Project number Q184E050079 TAME II	84.184E	<u>4,550</u>	<u>4,550</u>	<u>4,550</u>	<u>-</u>	<u>7,567</u>	<u>3,017</u>	<u>-</u>
		<u>4,550</u>	<u>4,550</u>	<u>4,550</u>	<u>-</u>	<u>7,567</u>	<u>3,017</u>	<u>-</u>
Total noncluster programs passed through the Macomb ISD		<u>146,176</u>	<u>74,121</u>	<u>11,544</u>	<u>-</u>	<u>75,833</u>	<u>67,705</u>	<u>3,416</u>
Total noncluster U.S. Department of Education		<u>1,428,045</u>	<u>621,631</u>	<u>89,703</u>	<u>-</u>	<u>724,545</u>	<u>720,304</u>	<u>85,462</u>
Total federal awards		<u>\$ 3,791,058</u>	<u>\$ 1,724,010</u>	<u>\$ 299,747</u>	<u>\$ -</u>	<u>\$ 1,970,686</u>	<u>\$ 1,976,380</u>	<u>\$ 305,441</u>

See Notes to Schedule of Expenditures of Federal Awards.

# **CLINTONDALE COMMUNITY SCHOOLS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2008**

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### **1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clintondale Community Schools (the District) and is presented on the same basis of accounting as the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The expenditures reported in the accompanying Schedule of Expenditures of Federal Awards agrees to the revenues from federal sources reported in the financial statements.

### **2. GRANT SECTION AUDITORS' REPORTS**

Management has utilized the Grant Section Auditor's Report and the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

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# CLINTONDALE COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

X yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

X yes \_\_\_\_\_ no

Identification of major programs:

Child Nutrition Cluster,  
CFDA # 10.553 and 10.555

Title I,  
CFDA # 84.010

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes X no

## **CLINTODALE COMMUNITY SCHOOLS**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**FOR THE YEAR ENDED JUNE 30, 2008**

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#### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None

#### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

##### **2008-1 Child Nutrition CFDA# 10.553 and 10.555 - Eligibility**

- Criteria:** Title VII of the Code of Federal Regulation requires an application process to determine eligibility for Child Nutrition.
- Condition:** During our testing of the eligibility requirements, the District could not produce the applications for 2 of the 40 students chosen from a haphazard sample, and 1 of the 40 students was receiving free lunch when based on income eligibility the student should have been reduced.
- Cause:** Internal controls over insuring completeness of application records for all students receiving free or reduced lunch.
- Effect:** As a result, the District is not in compliance with the requirement to insure eligibility for each student receiving free or reduced lunch benefits.
- View of Responsible Officials:** Chartwells, the new food service manager instituted the use of NutriKids in November 07 and all applications after that date were processed by them instead of the individual locations. This change was prompted by last year's audit. This should not be a problem in the future.

##### **2008-2 Title I CFDA# 84.010 - Certification of Payroll Expenditures**

- Criteria:** The Office of Management and Budget Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports, except when a substitute system has been approved by the cognizant Federal agency. The Circular requires these reports be prepared at least monthly and must coincide with one or more pay periods.

## CLINTODALE COMMUNITY SCHOOLS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED JUNE 30, 2008

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<b>Condition:</b>	During the year ended June 30, 2008, it was noted that full time 100% Title I employees had appropriate semi-annual certifications, however, approved documentation could not be provided documenting how employees spent their time who did not work full time and/or 100% on the Title I program. It appears the District is not documenting employee time in a manner consistent with federal guidelines.
<b>Cause:</b>	This condition appears to be the result of lack of specific knowledge and understanding of the payroll allocation methods allowed by federal guidelines.
<b>Effect:</b>	This condition increases the risk that the District will report an incorrect amount for payroll expenditures related to grants.
<b>Recommendation:</b>	We recommend that employees track the number of hours spent working for each federal program on a timesheet. The timesheets should be signed by the employee and a supervisor who had direct knowledge of the employee's work schedule, or lesson plans could be utilized as a means of tracking time, as long as they are approved by a direct supervisor at least monthly.
<b>View of Responsible Officials:</b>	The District will incorporate internal controls to insure the proper tracking documentation of employee hours spent for each federal program.



# **CLINTODALE COMMUNITY SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**FOR THE YEAR ENDED JUNE 30, 2008**

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### **SECTION IV – PRIOR YEAR FINDINGS**

**2007-3**      Condition:      During our testing of the eligibility requirements, the District could not produce the applications for 2 of the 40 students chosen from a haphazard sample.

Current Status: In the current year the program was tested again, and the same situation was found again. The finding will be a repeated for the current year.

**2007-4**      Condition:      During our testing over allowable costs, it was noted that the contract with the District's primary vendor to provide services did not specify high school completion as the primary program being offered

Current Status: In the current year this program was no longer federally funded

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